

# “The analysis of insurance market structure and dynamics in Ukraine, Russia and European Insurance and Reinsurance Federation (CEA) member states”

AUTHORS	Olha Kozmenko Olha Merenkova Anton Boyko
ARTICLE INFO	Olha Kozmenko, Olha Merenkova and Anton Boyko (2009). The analysis of insurance market structure and dynamics in Ukraine, Russia and European Insurance and Reinsurance Federation (CEA) member states. <i>Problems and Perspectives in Management</i> , 7(1)
RELEASED ON	Friday, 13 February 2009
JOURNAL	"Problems and Perspectives in Management"
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

© The author(s) 2024. This publication is an open access article.

Olha Kozmenko (Ukraine), Olha Merenkova (Ukraine), Anton Boyko (Ukraine)

## The analysis of insurance market structure and dynamics in Ukraine, Russia and European Insurance and Reinsurance Federation (CEA) member states

### Abstract

The paper examines the dynamics of insurance companies quantity in Ukraine, Russia and CEA member states for the period of 2001-2008 as well as the tendency of national insurance market changes. Moreover, it analyzes the largest foreign groups represented in equity of the Ukrainian insurance companies.

**Keywords:** insurance market, insurance company, “life” and “non-life” gross premiums, premiums per capita, premiums share in GDP.

**JEL Classification:** G22.

### Introduction

According to foreign investors, the Ukrainian insurance market has portfolio investors, strategies and output on IPO as well as other opportunities to attract the capital. Therefore, the large world groups of financial sector will come to Ukraine in the nearest future. It should be mentioned that the Ukrainian insurance companies, in the context of investment attractiveness and publicity, are not yet ready to enter international capital markets. However, in the long term, the quantitative estimation of dynamics of the European insurance market changes should be taken into account. For example, the growth of insurance market is not observed in “old Europe”; sometimes there are limitations of maximum share at the insurance market, which are regulated by antimonopoly committees. Taking this into account, the structural changes of the internal Ukrainian insurance market in relation to the foreign investments share in the equity of domestic insurance companies must be examined in the course of the internal Ukrainian insurance market development. The index of premiums share in GDP is the estimation of insurance market development dynamics (%). It is the most important and very hard task to find out indicators for market dynamics estimation, and the regression models can be useful to solve this problem.

The aim of the present paper is manifold. It evaluates the Ukrainian insurance market attractiveness for foreign financial groups; makes quantitative and qualitative analyses of domestic insurance companies and the structure of insurance payments for CEA, Russia and Ukraine. Lastly, it reveals the Ukrainian insurance market development trends.

### 1. The analysis of the last researches and publications

The analysis of the insurance market performance indicators of separate countries and the examination

of the dynamics of domestic insurance companies, insurance companies with the share of foreign capital, and 100% foreign capital insurance companies are presented in [8-19]. S. Dvorak (2007) [6], L.D. Lebedynska (2001) [1], V.O. Piskunova (2007) [5], N.Y. Plis (2005) [3], L.M. Remnyova (2001) [1], L.V. Ribalchenko (2007) [5], E. Romanenko (2007) [4], A.O. Ryadno (2007) [5], U.M. Umanciv (2007) [6] consider the development trends and the competition policy as well as the problems and the government regulation of insurance market.

### 2. The undecided questions of the general problem

To consider the issue of the biggest foreign investing groups entrance to the Ukrainian insurance market against the backdrop of their amalgamation and announces concerning their plans of the Ukrainian insurance market development, it is necessary to statistically analyze the insurance companies evolution, premiums volumes according to the sources of supply, premiums per capita, total premiums volumes in European countries, Ukraine and Russia. The question concerning the analysis of the part of companies providing more than 70% of the insurance premiums remains unexplored until now. Moreover, revealing the dependence for forecasting insurance market characteristic such as the premiums share in GDP (%) to premiums per capita ratio is of great interest.

### 3. The main results of the investigation

Let's analyze the quantitative changes of the insurance companies and financial groups' economic activity priorities and directions. For this purpose the dynamics of the insurance companies and financial groups of Ukraine, Russia, EU and European Insurance and Reinsurance Federation (CEA) countries should be analyzed (see Table 1).

Table 1. The number of insurance companies registered in 2001-2007, by countries [8-19]

Country	The number of insurance companies							Rate of increase (2001-2007)	Total increase
	2001	2002	2003	2004	2005	2006	2007		
Austria	75	73	72	71	73	72	71	-5,33	-4
Belgium	204	201	189	181	171	161	158	-22,55	-46
Bulgaria	-	24	30	30	31	37	37	-	-
Switzerland	142	143	141	143	143	143	143	0,70	1
Czech Republic	43	42	42	40	45	49	52	20,93	9
Germany	690	703	677	662	663	647	642	-6,96	-48
Estonia	14	13	13	13	12	16	19	35,71	5
Spain	414	401	393	379	362	354	0	-100,00	-414
France	504	495	486	475	486	477	480	-4,76	-24
United Kingdom	808	806	772	1167	1118	1050	1 050	29,95	242
Hungary	23	28	28	28	28	27	31	34,78	8
Ireland	196	199	224	217	226	226	226	15,31	30
Italy	256	254	249	245	239	244	241	-5,86	-15
Lithuania	31	31	31	28	27	25	0	-100,00	-31
Latvia	21	20	19	18	20	19	0	-100,00	-21
The Netherlands	353	389	379	363	352	368	352	-0,28	-1
Poland	71	74	77	74	74	72	67	-5,63	-4
Romania	0	42	46	39	37	36	-	-	-
Slovakia	28	29	28	25	26	25	24	-14,29	-4
CEA	5 214	5 269	5 165	5 465	5 385	5 275	4 710	-9,67	-504
EU (25)	4 859	4 852	4 739	5 028	4 946	4 839	4 327	-10,95	-532
EU (12)	3 047	3 065	3 006	2 925	2 899	2 876	2 402	-21,17	-645
Others	355	417	426	437	439	436	383	7,89	28
Russia	1350	1408	1397	1280	1075	918	857	-36,51	-493
Ukraine	-	338	357	387	398	411	447	-	-

Notes: 1. \* CEA includes: Austria, Belgium, Bulgaria, United Kingdom, Greece, Denmark, Estonia, Ireland, Iceland, Spain, Italy, Cyprus, Latvia, Lithuania, Lichtenstein, Luxembourg, Malta, the Netherlands, Germany, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Turkey, Hungary, Finland, France, Croatia, Czech Republic, Switzerland, Sweden. 2. EC 25 includes: Austria, Belgium, United Kingdom, Greece, Denmark, Estonia, Ireland, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Germany, Poland, Portugal, Slovakia, Slovenia, Hungary, Finland, France, Czech Republic, and Sweden. 3. Romania and Bulgaria that became the EU members in 2007 are not included. 4. EC 12 includes: Austria, Belgium, Greece, Ireland, Spain, Italy, Luxembourg, Netherlands, Germany, Portugal, Finland and France. 5. The "Others" includes: Bulgaria, Iceland, Lichtenstein, Norway, Romania, Turkey, Croatia, and Switzerland.

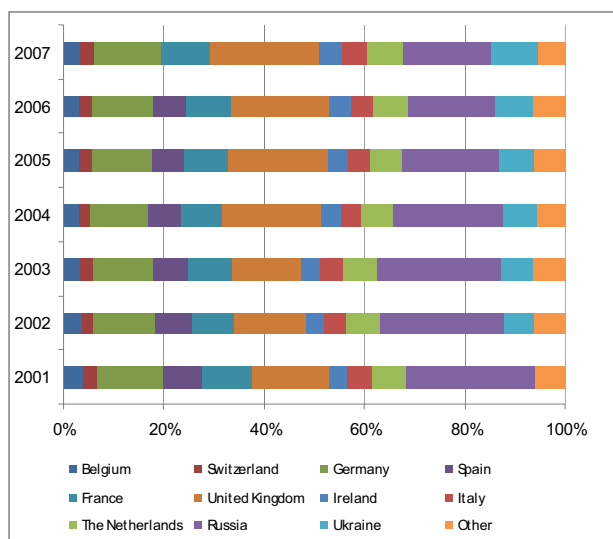
On the basis of the data one can state that the regularity as to the insurance companies' quantity decreasing is clearly seen in Europe and in Russia. So, in Russia and in 12 the most developed EU countries the insurance companies quantity, as from 2002, is decreasing by 551 and 663, respectively (see Figures 1, 2). As to the CEA countries, the decreasing tendency took place from 2004 up to the year 2007, the insurance companies quantity was decreased by 775. This points at the greater consolidation of given insurance markets, and the tendency to insurance companies' amalgamation and absorption is relatively great.

During the period from 2006 till 2007 the companies' quantity was about  $\pm 5$  as to the initial spectrum in the most developed European countries (Switzerland, Germany, France, United Kingdom, and the Netherlands). That confirms the fact that the insurance

markets of given countries are formed.

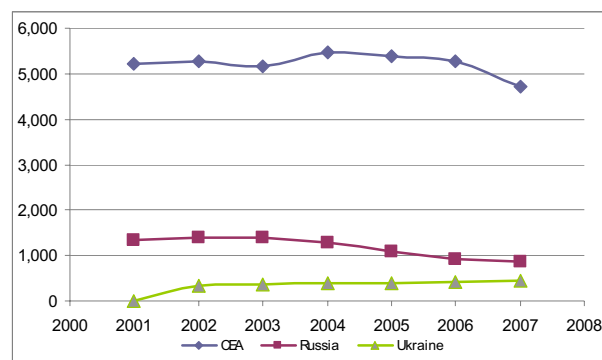
Quite different tendency is seen in Ukraine (see Figure 2). As from 2002, the insurance companies quantity has been constantly increasing. During the period of 2002-2007 the insurance companies quantity has increased by 24% (109 insurance companies), and in Ukraine there have been registered 447 insurance companies. This demonstrates that during the period investigated the insurance market rapid development took place. It should be noted that there is a considerable quantity of captive insurance companies in Ukraine and insurance companies that only work with limited quantity of risks (for example, those working solely with banks credits insurance).

Along with this we hope that the insurance market consolidation will surely take place in Ukraine, and only competitive players will stay on it.



**Fig. 1. Insurance companies share by countries (registered from 2001 to 2007)**

Total premiums, percent of premiums in GDP and premiums per capita are the important indices of national insurance market dynamics (see Tables 3, 4 and 5).



**Fig. 2. The number of insurance companies in CEA, Ukraine and Russia, 2000-2008**

In European countries and in the USA the insurance markets increase by 1-2 percent yearly; and in Ukraine insurance premiums volume in 2007 accounted for 17,6 bln. hryvnias (increased by 26,6 percent in comparison with the year 2006), and in 2006 it increased by 2,6% in comparison with the year 2005.

The calculations for Tables 3, 4, 5 were made using data of Table 2.

**Table 2. National currencies exchange rate per Euro [8, 20, 21]**

Country	2001	2002	2003	2004	2005	2006	2007
Bulgaria (Bulgarian lev)	1,948	1,949	1,949	1,953	1,956	1,956	1,956
Switzerland (Swiss franc)	1,511	1,467	1,521	1,544	1,548	1,573	1,643
Czech Republic (Czech koruna)	34,068	30,804	31,846	31,891	29,782	28,342	27,766
Estonia (Estonian kroon)	15,647	15,647	15,647	15,647	15,647	15,647	15,647
United Kingdom (pound sterling)	0,622	0,629	0,692	0,679	0,684	0,682	0,684
Hungary (Hungarian forint)	256,590	242,960	253,620	251,660	248,050	264,260	251,350
Lithuania (Lithuanian litas)	3,582	3,459	3,453	3,453	3,453	3,453	3,453
Latvia (Latvian lat)	0,560	0,581	0,641	0,665	0,696	0,696	0,700
Poland (Polish zloty)	3,672	3,857	4,400	4,527	4,023	3,896	3,784
Romania (Romanian leu)	26004,000	31270,000	37551,000	40510,000	3,621	3,526	3,333
Slovakia (Slovak koruna)	43,300	42,694	41,489	40,022	38,599	37,234	33,775
Russia (Russian ruble)	26,127	29,690	34,682	35,817	35,164	34,114	35,030
Ukraine (Ukraine hryvnia)	4,814	5,030	6,024	6,609	6,390	6,337	6,918

Nowadays, gross insurance premiums in GDP in Ukraine account for 2,5%, in western countries – 15% that points to a great potential for Ukrainian insurance market development. Table 4 represents GDP per capita by countries. In spite of the world financial crisis, the annual rate of Ukrainian insurance market growth in 2008-2010 will, as experts hypothesized, be 20-25%, in comparison with European market, where the most of trends are not profitable (1% on the average). In western countries the insurance business obtains up to

10% of resources that is put up in investment tools. Every foreign financial group entered the Ukrainian insurance market (retail insurance market, pledge insurance, borrower's life and health insurance), considers it to be of great perspective and expects its segments' 50-60% growth. Risk insurance in Ukraine is about 2,5% of GDP or 56 euro per capita. As a comparison, in CEA in 2007 it accounted for 1905 euro per capita, in Russia – 153 euro, in Germany – 1983 euro, in France – 3065 euro (see Figures 3, 4 and 5).

**Table 3. Gross premiums from 2001 to 2007 by countries, mln. Euro [8-19]**

Country	2001	2002	2003	2004	2005	2006	2007
Austria	12 470	12 615	13 128	13 974	15 295	15 589	15 878
Belgium	20 571	22 304	25 774	28 417	33 832	29 750	31 440
Bulgaria	228	319	342	428	554	571	769
Switzerland	33 603	36 151	33 907	32 816	32 658	31 352	30 437

Table 3 (cont.). Gross premiums from 2001 to 2007 by countries, mln. Euro [8-19]

Country	2001	2002	2003	2004	2005	2006	2007
Czech Republic	2 362	2 950	3 286	3 499	3 901	4 309	4 786
Germany	136 124	141 325	147 749	152 107	157 974	161 940	163 200
Estonia	114	139	168	203	254	284	434
Spain	41 015	48 061	40 630	45 418	48 779	52 836	54 539
France	128 059	131 998	142 028	158 226	175 884	197 092	194 310
United Kingdom	228 691	229 851	211 616	221 289	239 063	267 697	295 045
Hungary	1 635	2 036	2 206	2 380	2 767	3 142	3 701
Ireland	10 518	11 208	11 884	11 998	13 580	16 150	17 672
Italy	76 254	87 708	96 993	101 038	109 780	106 502	99 116
Lithuania	133	224	242	269	302	419	0
Latvia	175	179	195	197	226	293	0
The Netherlands	42 335	43 995	46 235	48 375	47 967	72 947	75 950
Poland	6 095	6 006	5 646	6 091	7 717	9 629	11 580
Romania	0	434	514	614	890	1 276	2 018
Slovakia	736	850	1 008	1 198	1 309	1 413	1 714
CEA	812 721	853 348	866 047	918 828	998 255	1 086 010	1 115 266
EU (25)	767 785	803 706	817 762	868 210	943 399	1 029 752	1 061 334
EU (12)	496 131	529 214	557 076	595 779	645 937	698 064	697 829
Other	44 936	49 642	48 285	50 618	54 856	56 258	53 932
Russia	10 587	10 118	12 471	13 167	14 069	17 899	21 799
Ukraine	630	883	1 516	2 940	2 012	2 182	2 603

So, in the course of Table 3 data analysis one can note that during the period of 2001-2007 the gross premiums increase took place in the whole world and in separate regions and countries. As experts hypothesize, the countries that came in CEA in 2007, gathered 1 115 266 mln. euro of insurance premiums, which in absolute amount is by 29 256 mln. euro more than in 2006 and almost by 27% more than in 2001.

During the period investigated the most developed 12 European countries also demonstrated positive trends in gross premiums accumulation. Gross premiums volume in 2007 (697 829 mln. euro) that stayed at the same level as in 2006 (698 964 mln. euro) is indicative of the European insurance market formation as well as the further development of the biggest insurance companies of given countries.

While analyzing gross premiums dynamics in Russia, it is necessary to note, that during seven years the stable growing tendency to gross premiums increase is seen in the country. If in 2001 the gross insurance premiums amounted 10 587 mln. euro,

then in 2007 the given index increased more than twice and made up 21 799 mln. euro.

In Ukraine one can note a negative trend to gross premiums decrease only in 2005 year. The amount of insurance premiums, received by insurers during 2005 year, was 12 853, 5 mln. hrn. In comparison with the same period of 2004 the mentioned index volumes decrease by 34% mainly due to decreasing the receipts from insurers-juridical parties which are specialized in financial risks insurance (in 2004 46,2% of gross premiums was put in financial risks insurance and reinsurance, while during 2005 the part of this kind of insurance stayed at the 31,6% level). This was due to legislative changes as to the insurance and, as a result, to the decrease in financial schemes implementation in the sphere of financial risks insurance.

During the other years the tendency to national gross insurance premiums increase continued in Ukraine. In 2007 2 603 mln. euro of premiums were gathered that is by 421 mln. euro more than in 2006 and 592 mln. euro more than in 2005.

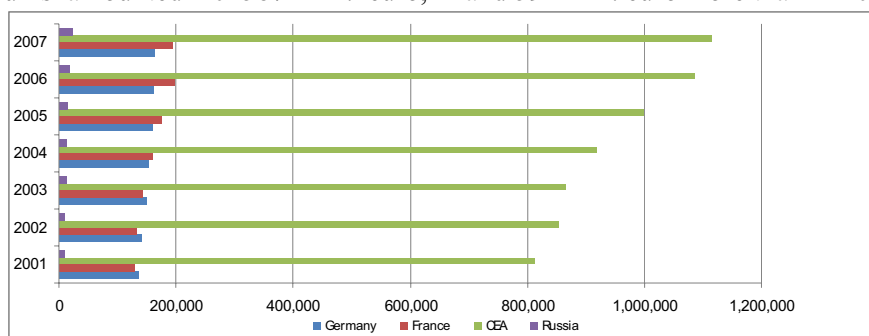


Fig. 3. Gross premiums in CEA, France, Germany and Russia, mln. euro

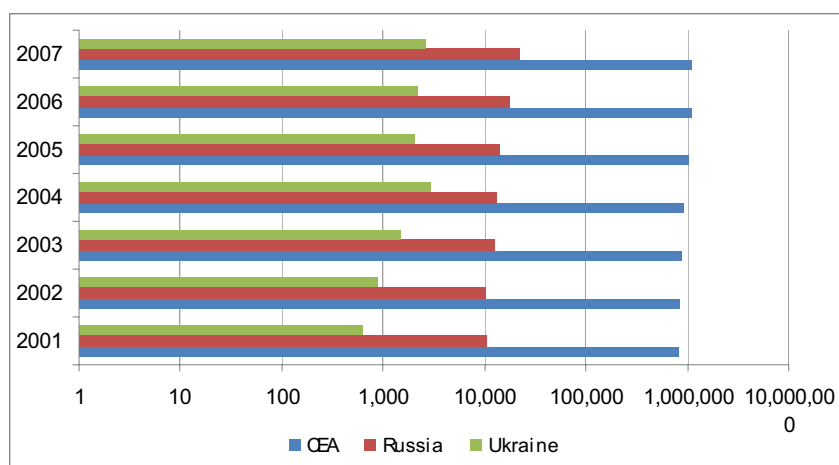


Fig. 4. Gross insurance premiums in Ukraine, Russia, CEA, mln. euro

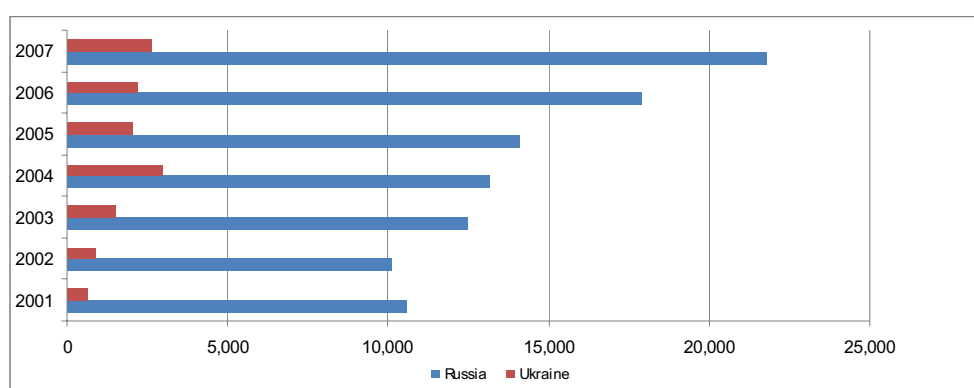


Fig. 5. Gross insurance premiums in Ukraine and Russia, mln. Euro

Table 4. Insurance premiums in GDP by countries, % [8-19]

Country	2001	2002	2003	2004	2005	2006	2007
Austria	5,87	5,76	5,88	6,00	6,26	6,06	5,86
Belgium	7,95	8,33	9,38	9,81	11,20	9,40	9,50
Bulgaria	1,50	1,92	1,92	2,15	2,53	2,26	2,66
Switzerland	11,80	12,21	11,78	11,22	10,92	10,13	9,82
Czech Republic	3,42	3,69	4,06	3,96	3,89	3,80	3,75
Germany	6,44	6,59	6,83	6,88	7,04	6,97	6,73
Estonia	1,65	1,79	1,93	2,12	2,27	2,15	2,79
Spain	6,03	6,59	5,19	5,40	5,37	5,39	5,19
France	8,55	8,52	8,91	9,53	10,19	10,90	10,27
United Kingdom	14,17	13,69	13,10	12,68	13,25	14,00	14,61
Hungary	2,75	2,88	2,95	2,89	3,11	3,49	3,66
Ireland	9,01	8,61	8,52	8,08	8,41	9,24	9,52
Italy	6,11	6,77	7,26	7,26	7,69	7,20	6,45
Lithuania	0,98	1,49	1,47	1,48	1,46	1,77	0,00
Latvia	1,88	1,81	1,95	1,76	1,74	1,83	0,00
The Netherlands	9,46	9,46	9,69	9,85	9,42	13,65	13,57
Poland	2,87	2,87	2,95	2,98	3,16	3,54	3,77
Romania	0,00	0,90	0,98	1,01	1,12	1,31	1,66
Slovakia	3,13	3,27	3,42	3,52	3,40	3,17	3,13
CEA	6,60	8,00	8,00	8,10	8,40	8,70	8,31
EU (25)	6,60	8,20	8,20	8,30	8,70	9,00	8,74
EU (12)	5,00	7,30	7,50	7,70	8,10	8,30	7,88
Other	6,60	6,30	6,00	5,90	5,60	5,40	4,22
Russia	3,11	2,77	3,25	2,81	2,26	2,26	2,31
Ukraine	1,50	2,00	3,40	5,60	3,10	2,60	2,50

According to the data from Table 4, one can make the conclusion that in Ukraine, as from 2004 the gross insurance premiums share in GDP “insurance penetration” had the tendency to decreasing; it hasn’t almost changed during 2006-2007, while in comparison with 2005 the share of gross insurance premiums in GDP decreased by 0,6% and in comparison with 2004 it changed even more, 3,1%.

The level of insurance penetration in Russia is far lower than in Ukraine. So, in 2007 it was 2,31%, which is by 0,19% lower than in our country. This index was the highest in 2003 – 3,25%. The positive trend was observed only during the 2006-2007 period. So, the gross insurance premiums share in GDP in Russia has a small tendency to increase (in 2007 this index increased by 0,05% in comparison with 2006).

The information above is indicative of the positive trends on the Ukrainian and Russian insurance markets, but in European developed countries the gross insurance premiums share in GDP is on 8-9% level, while in Switzerland, France and Great Britain this index was 9,82%, 10,27%, 14,61%, respectively, in 2007.

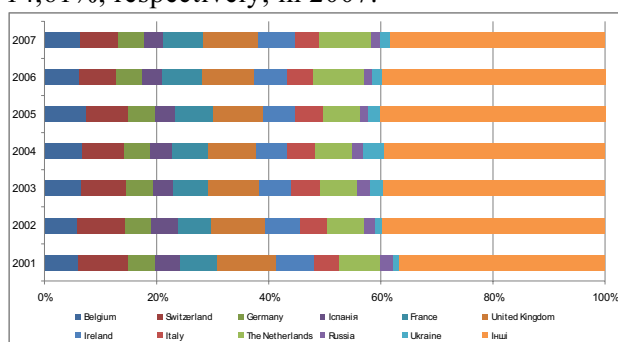


Fig. 6. The share of insurance premiums in GDP by countries, %

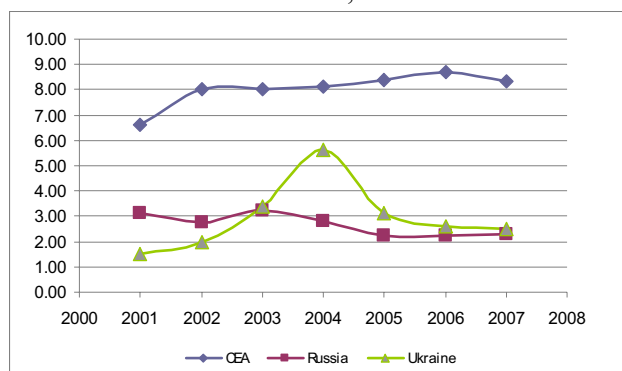


Fig. 7. The share of premiums in GDP in Ukraine, Russia and CEA, %

Table 5. The premiums per capita, euro [8-19]

Country	2001	2002	2003	2004	2005	2006	2007
Austria	1 555	1 569	1 620	1 717	1 864	1 886	1 913
Belgium	2 004	2 163	2 489	2 733	3 239	2 830	2 970
Bulgaria	29	40	44	55	71	74	100

Switzerland	4 664	4 979	4 633	4 454	4 404	4 203	4 054
Czech Republic	230	289	322	343	382	420	465
Germany	1 655	1 714	1 790	1 843	1 915	1 964	1 983
Estonia	83	102	124	150	189	211	323
Spain	1 016	1 177	975	1 073	1 133	1 207	1 226
France	2 169	2 224	2 373	2 628	2 904	3 129	3 065
United Kingdom	3 820	3 887	3 567	3 718	3 982	4 433	4 849
Hungary	160	200	218	235	274	312	368
Ireland	2 749	2 874	2 998	2 981	3 305	3 837	4 096
Italy	1 318	1 539	1 692	1 748	1 878	1 813	1 676
Lithuania	38	64	70	78	88	123	-
Latvia	74	76	84	85	98	128	-
The Netherlands	2 648	2 732	2 855	2 976	2 942	4 466	4 643
Poland	158	155	148	159	202	252	304
Romania	-	20	24	28	41	59	94
Slovakia	137	158	187	223	243	262	318
CEA	1 218	1 496	1 516	1 599	1 729	1 866	1 905
EU (25)	1 369	1 768	1 798	1 900	2 053	2 222	2 278
EU (12)	1 146	1 726	1 814	1 929	2 077	2 219	2 206
Other	483	430	415	431	466	477	451
Russia	73	70	86	91	98	125	153
Ukraine	13	18	32	62	43	47	56

Analyzing the data from Table 5 we can note that according to Table 1, the significance of premiums per capita increases with the gross insurance premiums increase, as the population in the countries under study increased more slowly than gross insurance premiums, and in some countries the quantity was even decreasing.

But despite the insurance density increase in Ukraine, the premiums per capita during 2005-2007 increased by 13 euro. In Ukraine this index remains the lowest compared to the countries investigated. Even in Romania premiums per capita were 94 euro in 2007, and in Russia this index was three times as much in 2007 than in Ukraine (153 euro).

The most numerous insurance premiums per capita are in the United Kingdom – 4849 euro, the Netherlands – 4643 euro and Ireland – 4096 euro.

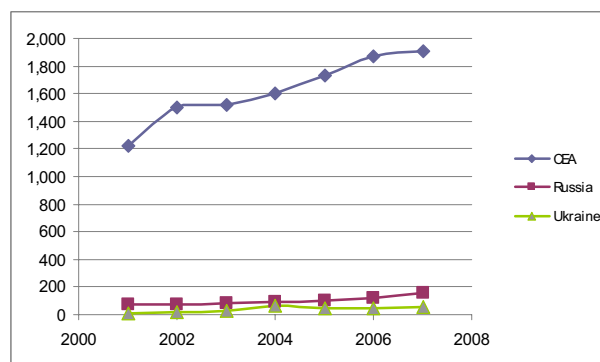


Fig. 8. Insurance premiums per capita, euro

The purchase of several insurers at once by one investor has become the Ukrainian insurance market tendency for the last 2 years. Life insurance and

risks insurance companies do their best to occupy the larger part of Ukrainian insurance market. The total income to payments in property insurance ratio in 2007 amounted 300%. The insurance profitability of personal liability insurance of transport means owners (PLITMO) accounted for 305% as of 2007

(liability car insurance companies gathered 1,2 bln. hrn. that accounts for 70% of obligatory insurance premiums; payments amounted 296 mln. hrn.). Insurance premiums from physical persons amounted 3,4 bln. for 3 quarters of 2007, which is by 70% more than during the same period in 2006.

Table 6. Premiums according to sources of supply by countries, % [8-19]

Country	2001		2002		2003		2004		2005		2006		2007	
	"life"	"non-life"	"life"	"non-life"	"life"	"non-life"	"life"	"non-life"	"life"	"non-life"	"life"	"non-life"	"life"	"non-life"
Austria	46,8	53,2	44,5	55,5	43,4	56,6	44,1	55,9	46,6	53,4	46,1	53,9	45,4	54,6
Belgium	64,0	36,0	64,7	35,3	68,0	32,0	70,0	30,0	74,4	25,6	69,4	30,6	69,8	30,2
Bulgaria	19,7	80,5	23,9	76,2	11,2	88,7	12,1	87,8	13,8	84,8	16,7	95,0	15,7	84,4
Switzerland	65,3	34,7	65,3	34,7	62,4	37,6	59,7	40,3	58,9	41,1	56,9	43,1	57,6	42,4
Czech Republic	35,1	64,9	37,6	62,4	39,3	60,7	39,6	60,4	38,7	61,3	38,7	61,3	40,7	59,3
Germany	46,5	53,5	46,0	54,0	45,8	54,2	45,0	55,0	46,0	54,0	46,2	53,8	46,2	53,8
Estonia	20,0	80,1	20,5	79,1	22,1	78,1	25,4	74,5	32,1	68,0	29,7	70,4	41,5	58,5
Spain	55,7	44,3	55,2	44,8	43,8	56,2	43,0	57,0	43,1	56,9	44,2	55,8	43,0	57,0
France	66,1	33,9	64,8	35,2	64,8	35,2	66,6	33,4	68,6	31,4	71,1	28,9	70,0	30,0
United Kingdom	73,0	27,0	70,1	29,9	66,7	33,3	68,5	31,5	69,6	30,4	73,3	26,7	75,5	24,5
Hungary	41,7	58,3	40,9	59,0	40,1	59,9	40,7	59,3	44,0	56,0	50,7	49,3	54,7	45,3
Ireland	68,1	31,9	64,7	35,3	64,3	35,7	66,1	33,9	71,7	28,3	76,3	23,7	79,2	20,8
Italy	60,8	39,2	63,0	37,0	64,7	35,3	65,0	35,0	66,9	33,1	65,1	34,9	62,0	38,0
Lithuania	19,5	80,8	18,0	82,0	25,5	74,3	25,3	74,8	27,7	72,4	31,3	68,8	-	-
Latvia	4,1	95,9	3,8	96,2	4,2	95,8	5,1	94,9	6,9	93,1	7,8	92,3	-	-
The Netherlands	61,1	38,9	54,7	45,3	53,7	46,3	52,0	48,0	51,8	48,2	35,3	64,7	35,0	65,0
Poland	41,4	58,6	42,8	57,2	45,0	55,0	45,6	54,4	49,4	50,6	56,2	43,8	58,2	41,8
Romania	-	-	25,5	74,5	23,8	76,2	22,3	77,7	26,4	73,6	19,8	80,2	22,2	77,8
Slovakia	43,5	56,4	43,2	56,8	40,7	59,3	40,5	59,5	43,6	56,4	48,1	53,7	49,8	50,2
CEA	62,7	37,3	61,1	38,9	59,6	40,4	60,2	39,8	61,9	38,1	62,1	38,0	62,3	37,7
EU (25)	62,9	37,1	61,2	38,8	59,7	40,3	60,5	39,5	62,3	37,7	62,4	37,6	62,8	37,2
EU (12)	58,4	41,6	57,6	42,4	57,3	42,7	57,8	42,2	59,9	40,1	58,5	41,5	57,4	42,6
Other	59,9	40,1	59,7	40,3	56,9	43,1	56,3	43,7	56,0	44,0	54,9	45,2	51,1	48,9
Russia	56,9	43,5	41,5	58,4	36,6	63,4	21,1	78,9	5,0	95,0	2,6	97,4	2,4	97,6
Ukraine	0,5	99,5	0,5	99,5	0,8	99,2	1,0	99,0	2,5	97,5	3,3	96,7	4,4	95,6

Given the data from Table 6 one can come to conclusion that gross premiums in European countries are formed mainly at the expense of life insurance.

The countries that came to CEA during the investigated period formed 62% of gross premiums at the expense of life insurance and 38% by means of risks insurance. In the United Kingdom and Ireland more than 70% of gross premiums are due to life insurance and only 30% – to risks insurance, which indicates that life insurance spreads among European countries' population and that insurance services are accessible.

We have quite different situation in Ukraine and Russia. And the increasing number of life insurance premiums in Russia up to the year 2005 mustn't disorient. According to expert estimation, during 2002-2004 "false insurance" operations directed to insurers tax optimization amount more than 90% of life insurance market. Tax law changes as well as insurance control requirements have been the main reasons for changes in 2005.

So, in Ukraine and in Russia more that 95% of insurance premiums are formed at the expense of risks insurance and only 5% are due to life insurance. However, during the period under study Ukraine witnesses a positive trend to life insurance premiums increase in general volume of gross premiums. From 2001 to 2007 the share of life insurance in gross premiums increased by 3,9% which is the result of this kind of insurance development as such and also of the foreign insurance companies entering the Ukrainian market that actively propagandize life insurance among population.

Table 7. The biggest foreign groups, represented in stock capital of Ukrainian insurance companies [6]

Country	Group	Company shareholding structure
Australia	QBE	QBE-Ukraine
Austria	Vienna Insurance Group	IC Globus IC Knyazha IC Zesiya VAB Group Ukrainian Insurance Company



Table 7 (cont.). The biggest foreign groups, represented in stock capital of Ukrainian insurance companies [6]

Country	Group	Company shareholding structure
	Grazer Wechselseitige (GraWe)	IC Grawe Ukraine IC Alkona
	UNIQA	IC Credo Classic UNIQA life
	ECCO Versicherungsmarkler Ges.m.b.H	ECCO Insurance Group (life/non-life)
Kazakhstan	Bank TuranAlem	IC Oranta
Germany	ERGO	IC Jutico
	HDI-Gerling International Holding AG	IC Alkona
Israel	Phoenix	IC InterTransPolis
Italy/ Czech Republic	Generali/PPF	Generali Garant Generali Garant Life Insurance IC Home Credit Insurance
The Netherlands	Fortis	IC Fortis Life Insurance of Ukraine
Poland	PZU	PZU Insurance Group (life/non-life)
Russia	Rosgostsrah	IC Providna
	Ingostrah	Ingo Ukraine IC Ingostrah Life
	RESO-Guarantee	Prosto-Insurance. Life and Pension
	ROSNO	IC ROSNO-Ukraine
	Sputnyk	IC Renaissance Life
	Russian Standard	Belief and Guarantee Closed Joint-Stock Company
	National Reserve Bank	European Insurance Union
	Alfa-Bank	IC Vesta
USA	AIG	AIG Ukraine
France	BNP Paribas Group/AXA	IC Ukrainian Insurance Union VESCO IC Cardif
Sweden	SEB	IC SEB Life Ukraine

As for the insurance companies' takeover, in 2007 there were 10 contracts totaling 300 mln. dollars, particularly, Bank TuranAlem acquired 25% of Oranta insurance company. It should be noted that Bank TuranAlem had already possessed approximately 40% of Oranta IC.

The fact that French financial group AXA along with French bank BNP Paribas (that bought UkrSibbank in 2006) bought two Ukrainian insurance companies, i.e. "USA" and "WESKO", says about the promising outlook of bank debtor's life and health insurance.

It is recognized that the buying-selling contracts' value attained its maximum in 2007. Foreigners paid

for domestic companies the price equal to 2,5-5 premiums (the value was estimated according to the gross premiums gathered during the year). It is very likely that as the result of the world financial crisis the insurance companies value can considerably decrease during 2008-2009. In 2008 German company HDI-Gerling International Holding AG bought 94,5% of insurance company "Alkona" shares, concern Grazer Wechselseitig Versicherung Aktiengesellschaft (GRAWE) bought control stake of "INPRO" insurance company, Israeli insurer Phoenix bought "InterTrans Polis" insurance company. The Slovenian KD life decided to play in a different way and found the company in Ukraine.

In 2009 the Ukrainian insurance market can be reduced by 80% due to small and middle companies that had limited business lines and kept the main part of banking insurance. The big insurance companies that have developed branch networks, well-established working expenditure regulation systems and high ratings will save their positions. To coordinate directions in which companies will be able to place insurance reserves and other assets, the minimum statutory fund for life insurance with 1,5 mln. euro and for risks insurance with 1 mln. euro will be determined. State Commission for Financial Services Regulation schedules to enact a regulation about capital adequacy standards and criterions, insurers' assets diversification and quality that, according to almost half insurance companies estimates, can lead to decline. The insurance companies that can become out of business are those which serve mining and smelting enterprises and engineering industry that shorten corporative insurance programs. It is also the companies, which assets are consisted of securities, that have no value at all, as well as the captive companies that are founded specially for the purposes of tax avoidance. It is a general opinion that nowadays approximately 100-120 out of all registered companies work as traditional insurers; the rest ones are circuit companies.

For the last 3 years almost 20 domestic insurance companies appeared to be under foreign financial groups' control. Their financial contracts volume is of higher priority than that of national insurance companies both in life insurance and in risks insurance sectors. As of the first half of the year 2007, according to State information service, 81 insurance companies with foreign capital were registered (18,3% of all insurers). Out of these 81: 10 were companies with 100% foreign capital (2% of the insurance companies total number), 61 – risks insurance and 20 – life insurance companies. The largest foreign groups represented in the share capital of

Ukrainian insurance companies are presented in Table 7.

Let's examine national insurance companies, including those with part of foreign capital and those with 100% foreign capital (see Table 7), leaders in life insurance premiums (see Table 7), and leaders in risks insurance. This is of great importance while

analyzing not only the volume growth trends, but also the Ukrainian insurance market redistribution induced by foreign investors. Insurance payments volume of Oranta insurance company increased more than twice from 2006 to 2008.

The main components of insurance company portfolio are presented in Figure 11.

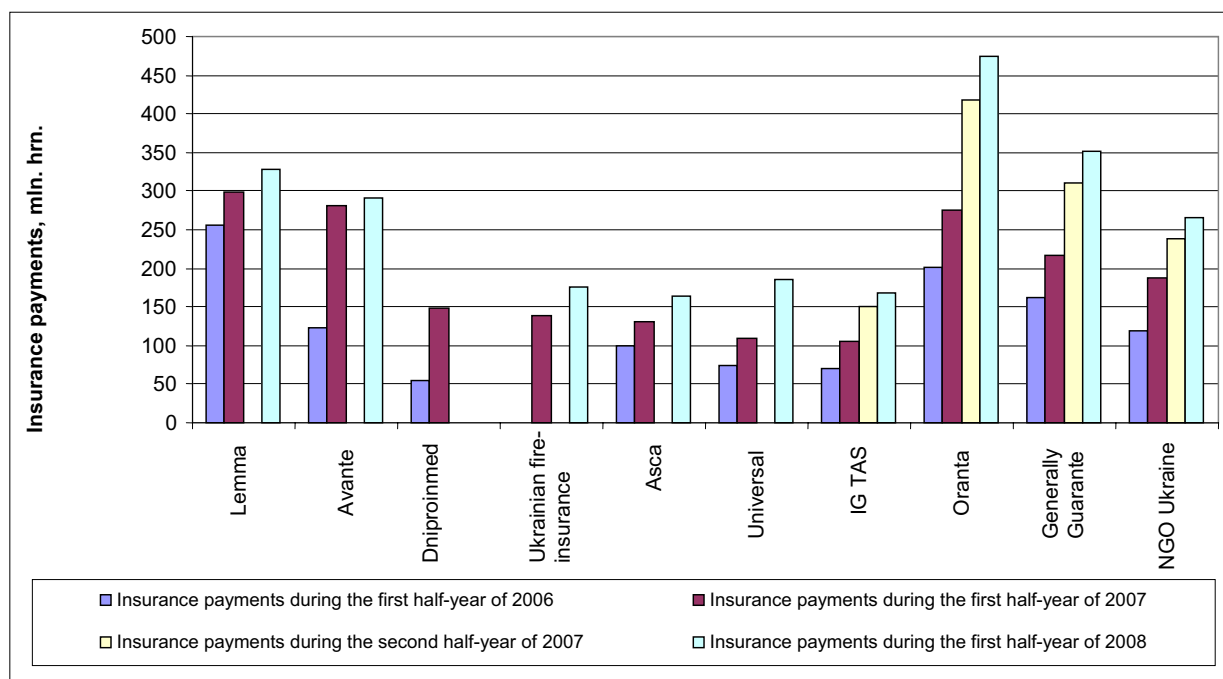


Fig. 9. Ukrainian insurance companies – leaders according to risks insurance premiums gathered during 2006-2008

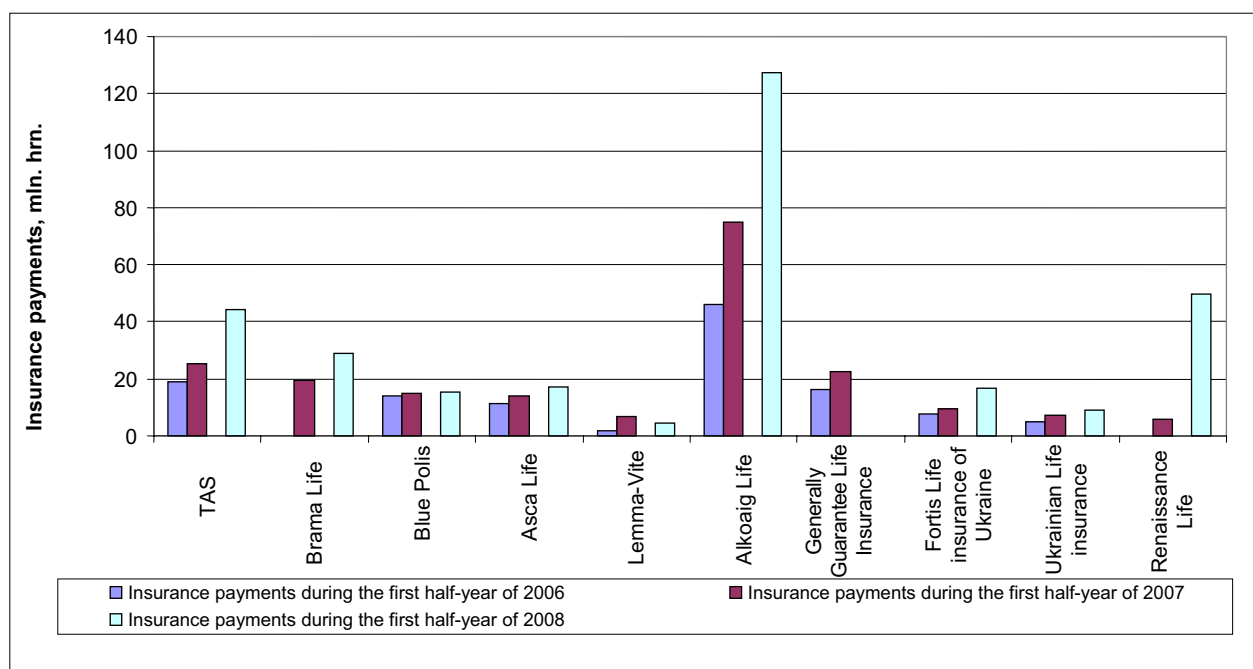
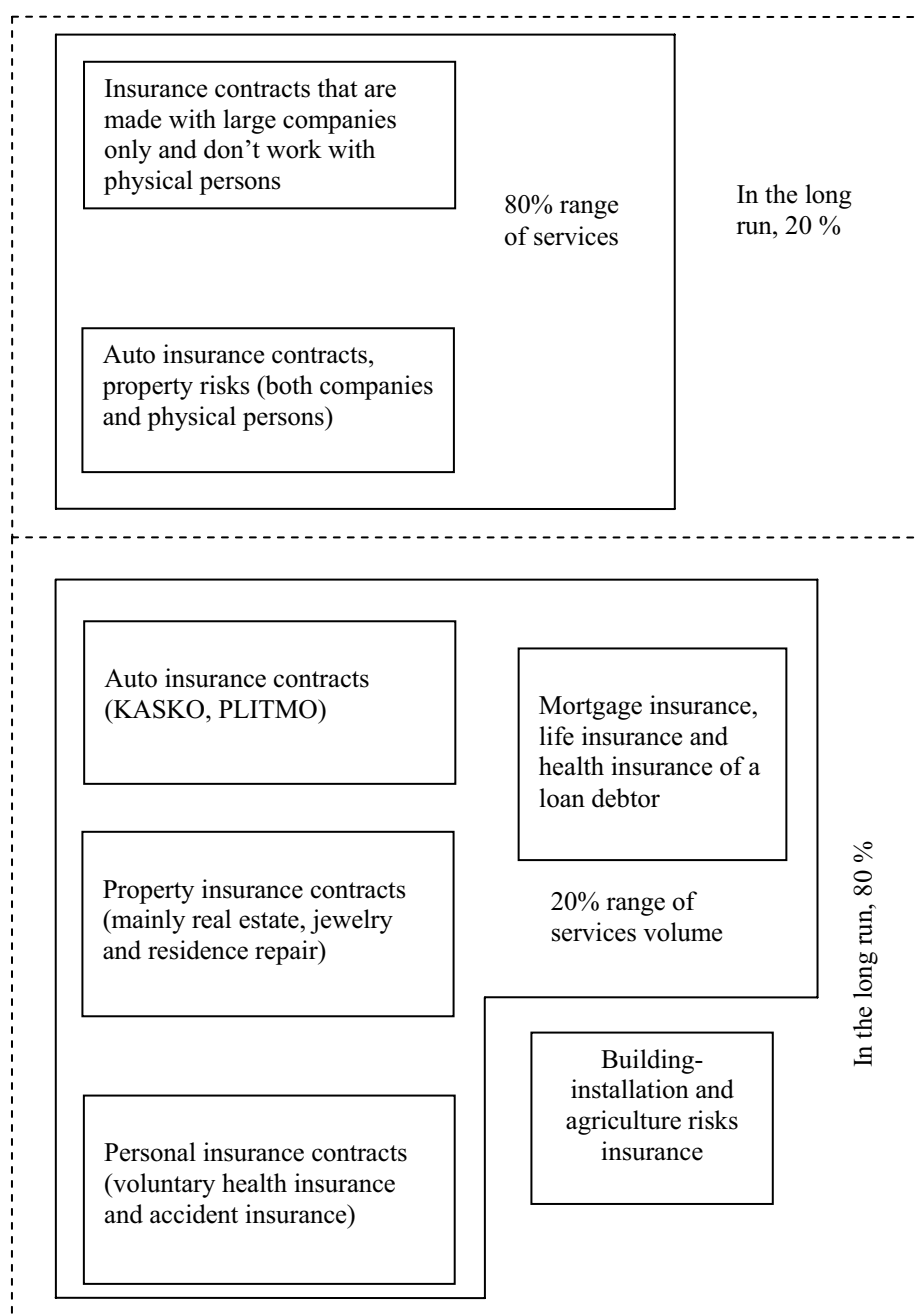


Fig. 10. Ukrainian insurance companies – leaders according to life insurance premiums gathered during 2006-2008



**Fig. 11. Insurance company portfolio, development prospects**

Insurance companies' portfolios change permanently. Insurance companies that made contracts with large firms only and didn't work with physical persons, made property risks insurance and transport vehicles insurance contracts occupied about 80% of market according to the range of services. Under the world financial crisis conditions large Ukrainian enterprises shorten their social packages that will lead to services volume decrease in these kinds of insurance up to 20%. Large national insurance companies, including those with foreign capital, come to more profitable sector, namely physical persons insurance (health insurance, property insurance, real estate insurance, jewelry insurance and dwelling repair). It's quite obvious, proceeding from the

premise that according to the Order of Cabinet of Ministers №86 from January 22, 2008 state subsidies to farmers are supposed to pay, agriculture risks and building-installation risks insurance will be developed. Mortgage insurance, life insurance and health insurance of a loan debtor as well as other different kinds of physical persons insurance will also be evolved.

### **Conclusions and recommendations for further research**

The analysis of insurance markets of Ukraine, Russia and other members of European Insurance and Reinsurance Federation (CEA) structure and dynamics has shown the following:

- ◆ During the period of 2001-2007 the number of insurance companies in European countries hasn't changed significantly (Russia is the leader in the companies quantity decrease – 493 companies. In Ukraine the number of companies during the same period increased by 109 in comparison with 2002).
- ◆ Foreign financial groups bought 81 Ukrainian insurance companies (10 companies with 100% foreign capital), including 61 risks insurance and 20 life insurance companies.
- ◆ The Ukrainian insurance market will develop due to increasing the quantity and efficiency of insurance companies with foreign capital.
- ◆ The number of insurance companies will be shortened significantly after enacting the regulation by State Commission for Financial Services Regulation (“About criteria and standards of capital adequacy, diversification and quality of insurers’ assets”).

## References

1. Закон України “Про фінансові послуги та державне регулювання ринків фінансових послуг” [Електронний ресурс]. – Режим доступу: [https://dealers.ligazakon.ua/l\\_doc2.nsf/FrameForStructureDoc?OpenForm&sel=1&unid=7379168AA333761C42256AA30037D0CA&ed=2001\\_07\\_12](https://dealers.ligazakon.ua/l_doc2.nsf/FrameForStructureDoc?OpenForm&sel=1&unid=7379168AA333761C42256AA30037D0CA&ed=2001_07_12).
2. Лебединська Л.Д. Страхування як чинник фінансової стабілізації економіки / Л.Д. Лебединська, Л.М. Ремньова // Актуальні проблеми економіки. – 2006. – №9 (63). – С. 65-74.
3. Плиса В.Й. Страхування: навч. посібн / В.Й. Плиса. – К.: Каравела, 2005. – 392 с.
4. Романенко Є. Ринок страхування: тенденції та проблеми / Є. Романенко // Персонал. – 2007. – №1. – 30-35.
5. Рядно О.А. Моделювання розвитку страхового ринку в регіонах України / О.А. Рядно, О.В. Піскунова, Л.В. Рибальченко // Фінанси України. – 2007. – №12. – С. 106-114.
6. Стратегическое преимущество // Инвестгазета. – 18-24.06.2007. – С. 51-52.
7. Уманців Ю.М. Конкурентна політика на ринку страхових послуг України / Ю.М. Уманців, М.С. Дворак // Фінанси України. – 2008. – №4. – С. 104-117.
8. CEA Statistics №36. European Insurance in Figures. October 2008 [електронний ресурс]. – Режим доступу: <http://www.cea.eu/index.php?page=european-insurance-in-figures> (Date : 2008-10-20 Size : 2.72 MB Type : xls).
9. Федеральная служба страхового надзора “Доклад о развитии страхового рынка России в 2006-2007 гг.” [електронний ресурс]. – Режим доступу: [http://www.fssn.ru/www/site.nsf/web/doc\\_30072008134625.html](http://www.fssn.ru/www/site.nsf/web/doc_30072008134625.html)
10. Федеральная служба страхового надзора “Страховой рынок России в 2006 году” [електронний ресурс]. – Режим доступу: [http://www.fssn.ru/www/site.nsf/web/doc\\_30042008143959.html](http://www.fssn.ru/www/site.nsf/web/doc_30042008143959.html)
11. Федеральная служба страхового надзора “Доклад по итогам 2005 – 9 месяцев 2006 года” [електронний ресурс]. – Режим доступу: [http://www.fssn.ru/www/site.nsf/web/doc\\_27032007165938.html](http://www.fssn.ru/www/site.nsf/web/doc_27032007165938.html)
12. Федеральная служба страхового надзора “Доклад по итогам 2004 года” [електронний ресурс]. – Режим доступу: [http://www.fssn.ru/www/site.nsf/1d88299ae3e668ffc3256be200497084/44c895fe775cb827c32571bc00354a6d/\\$FILE/%D0%94%D0%BE%D0%BA%D0%BB%D0%B0%D0%B4%20%D0%BF%D0%BE%20%D0%B8%D1%82%D0%BE%D0%B3%D0%B0%D0%BC%202004%20%D0%B3%D0%BE%D0%B4%D0%B0.pdf](http://www.fssn.ru/www/site.nsf/1d88299ae3e668ffc3256be200497084/44c895fe775cb827c32571bc00354a6d/$FILE/%D0%94%D0%BE%D0%BA%D0%BB%D0%B0%D0%B4%20%D0%BF%D0%BE%20%D0%B8%D1%82%D0%BE%D0%B3%D0%B0%D0%BC%202004%20%D0%B3%D0%BE%D0%B4%D0%B0.pdf)
13. Інформація про стан і розвиток страхового ринку України за 2007 рік за даними Держфінпослуг [електронний ресурс]. – Режим доступу: <http://forinsurer.com/files/file00296.pdf>
14. Інформація про стан і розвиток страхового ринку України за 12 місяців 2006 року [електронний ресурс]. – Режим доступу: [http://www.dfp.gov.ua/fileadmin/downloads/Zvit2006\\_insurance.pdf](http://www.dfp.gov.ua/fileadmin/downloads/Zvit2006_insurance.pdf)
15. Інформація про стан і розвиток страхового ринку України за 12 місяців 2005 року [електронний ресурс]. – Режим доступу: <http://www.dfp.gov.ua/files/12m2005.pdf>
16. Інформація про стан і розвиток страхового ринку України за 2004 рік [електронний ресурс]. – Режим доступу: <http://www.dfp.gov.ua/files/2004.pdf>
17. Інформація про стан і розвиток страхового ринку України за 2003 рік [електронний ресурс]. – Режим доступу: [http://www.dfp.gov.ua/files/Fin\\_markets\\_2003.pdf](http://www.dfp.gov.ua/files/Fin_markets_2003.pdf)
18. Інформація про стан і розвиток страхового ринку за 2002 рік [електронний ресурс]. – Режим доступу: [http://www.dfp.gov.ua/files/Fin\\_markets\\_2002.pdf](http://www.dfp.gov.ua/files/Fin_markets_2002.pdf)
19. Інформація про стан і розвиток страхового ринку України за 12 місяців 2005 року [електронний ресурс]. – Режим доступу: <http://www.dfp.gov.ua/files/12m2005.pdf>
20. Центральный банк Российской Федерации Динамика курса валюты Евро с 01.12.2000 по 02.12.2008 [електронний ресурс]. – Режим доступу: [http://www.cbr.ru/currency\\_base/dynamics.aspx?VAL\\_NM\\_RQ=R01239&date\\_req1=01.12.2000&r1=1&date\\_req2=02.12.2008&C\\_month=12&C\\_year=2008&rt=0&mode=1&x=58&y=5](http://www.cbr.ru/currency_base/dynamics.aspx?VAL_NM_RQ=R01239&date_req1=01.12.2000&r1=1&date_req2=02.12.2008&C_month=12&C_year=2008&rt=0&mode=1&x=58&y=5).
21. Національний банк України Середній курс гривні (до 1996 року українського карбованця) до іноземних валют. – Режим доступу: <http://www.bank.gov.ua/Statist/index.htm>.